

# Property Assessment Impact on Education Funding

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Tennessee Association of Assessing Officers

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# Property Assessment's Impact on Education Funding

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- ◆ What is capacity and effort?
- ◆ What changed?
- ◆ Importance of property assessment to education finance.
- ◆ Impact of Industrial Development Boards on education finance.
- ◆ Examples

# Capacity and Effort

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- ◆ Fiscal capacity is the potential ability of local governments to fund education from their own taxable sources, relative to the number of students.
- ◆ Effort is the relative extent to which a local government actually utilizes the revenue sources available to it – its fiscal or revenue capacity.

# Property Impact

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- ◆ A fair and consistent assessment practice from county to county is important now, more than ever.
- ◆ Local assessors need to know the activity of local industrial development boards.

# Changes in Fiscal Capacity

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- ◆ CBER (Fox) model: Sales Tax & Property Tax
- ◆ TACIR reduced to 50%
- ◆ CBER (Fox) phased in at 50%
- ◆ Fiscal Capacity goal to be 100% CBER (Fox) model

# TACIR vs. CBER(Fox)

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## TACIR

- ◆ Local Revenue
- ◆ Property
- ◆ Sales
- ◆ Per Capita Income
- ◆ Ratio of Residential & Farm to Total Assessment
- ◆ Ratio of Average Daily Membership to Population
- ◆ Regression analysis

## CBER (Fox)

- ◆ Property Tax Base
- ◆ Sales Tax Base
- ◆ Arithmetic calculation

# BEP(Old Model) vs. BEP 2.0

## BEP (Old Model)

- ◆ 100% TACIR
- ◆ 100% CDF

- ◆ \$36,515 Salary Unit Cost
- ◆ 38.5% At Risk
- ◆ 1:45 ELL, 1:450 Translators
- ◆ Instructional 65%

## BEP 2.0

- ◆ 50% TACIR, 50% Fox
- ◆ 50% CDF

- ◆ \$38,000 Salary Unit Cost
- ◆ 100% At Risk
- ◆ 1:30 ELL, 1:300 Translators
- ◆ Instructional 70%

# CBER (Fox) Model

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- ◆ The new formula determines a county's capacity to raise local revenues for education from its property and sales tax base.
- ◆ Property tax base – add the equalized, assessed tax bases to the equalized, assessed public utility property and the estimated assessed value of industrial development property.
- ◆ Sales tax base – Actual sales reported to the TN Department of Revenue.



# CBER (Fox) Model

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- ◆ Each county's fiscal capacity is the sum of:
  - The county's property tax base multiplied by a statewide average property tax rate for education (\$1.30).
  - The county's sales tax base multiplied by a statewide sales tax rate for education (1.57%).
- ◆ The split between property and sales is based on actual local practice.

# Assessment Importance

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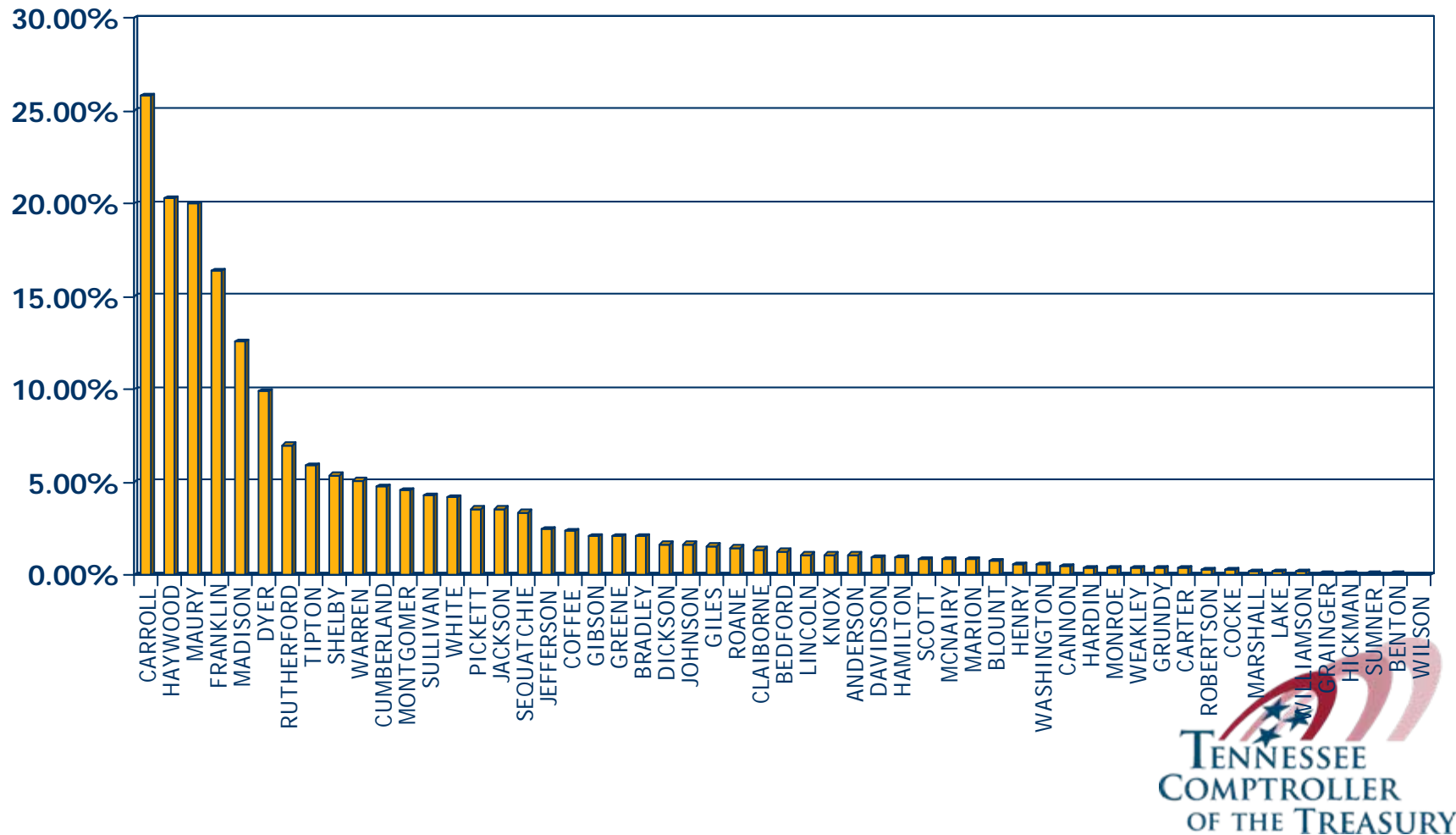
- ◆ Property tax collections account for over 60% of local tax revenues toward education.
- ◆ On a dollar for dollar basis, property tax base is almost 65% of the available local tax base.
- ◆ Known IDB properties account for 3% of the local property tax base.
  - This amount varies by county with some reporting 0% and some in excess of 20%

# IDB Property Values

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- ◆ Currently reported in excess of \$3 billion.
- ◆ Almost half of counties do not report any properties owned by industrial development boards.
- ◆ Wide range of board activity by county.

# IDB Property Values Ranked as a Percent of Total Tax Base



# IDB Property Issues

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- ◆ Inclusion has no impact on total state share and total local share.
- ◆ The decision that one Board makes affects the local ability of all other counties in the state.
- ◆ Inclusion causes shifts in responsibility of the local share from county to county.

# Largest Percentage IDB Impact

County	Percent Change	Total County Area State \$ Share Change
Maury	-3.01%	(\$1,326,000)
Madison	-2.09%	(\$918,000)
Carroll (and included SSDs)	-1.94% to -1.91%	(\$449,000)
Dyer and Dyersburg City	-.83% and -.78%	(\$216,000)
Rutherford and Murfreesboro City	-.63% and -.60%	(\$921,000)

# Shelby County Example

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- ◆ Shelby County reports almost \$1 billion in assessed values of IDB properties or almost 1/3<sup>rd</sup> of the total.
- ◆ If Shelby put an equivalent amount into IDBs and it were not reported, the rest of the systems would pick up more of the total state and local share, locally. {See following example}

# Shelby County Example

Local Education Agency	Change in State Share in \$
Shelby County	\$1,128,000
Memphis City	\$2,811,000
Davidson County	(\$378,000)
Knox County	(\$318,000)
Hamilton County	(\$268,000)
Rutherford County	(\$148,000)
Putnam County	(\$44,000)
Maury County	(\$65,000)
Bedford County	(\$28,000)
Lauderdale County	(\$11,000)
Tipton County	(\$32,000)



# Policy Choices

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- ◆ PILOT – school taxes
  
- ◆ Intergovernmental Decisions
  - Intra-county
  - State – local